MyLife Newsletter Autumn 2013

Welcome to our 2013 Federal Budget Update Summary Newsletter. Outlined within are a summary of the measures announced.

2013 Federal Budget Summary

The Federal Budget Analysis prepared by GWMAS trading as MLC Technical appears below

The 2013 Federal Budget only contained a few surprises as many of the measures had already been announced.

Note: These measures are proposals only and may or may not be made law.

Summary

- The Medicare levy will increase by 0.5% to 2% pa from 1 July 2014.
- The $5,000 Baby Bonus will be removed from 1 March 2014. Instead, families eligible for Family Tax Benefit (Part A) will receive $2,000 following the birth of their first child, and $1,000 for each subsequent child.
- The superannuation concessional contribution cap will increase from $25,000 pa to $35,000 pa from:
  - 1 July 2013 for people 60 and over, and
  - 1 July 2014 for people 50 and over.
- From 1 July 2014, all pension asset earnings above $100,000 will be taxed at 15%.

Personal tax changes

No changes to tax rates

The proposed changes to the marginal tax rates and income thresholds, which were due to take effect from 1 July 2015, will no longer be going ahead.

The table below summarises the thresholds and taxation rates that will continue to apply.

Current income thresholds	Maginal tax rates
$0 - $18,200	0%
$18,201 - $37,000	19%
$37,001 - $80,000	32.5%
$80,001 - $180,000	37%
$180,001 +	45%

Baby bonus to be replaced with new Family Tax Benefit payment

Date of effect: 1 March 2014

The Baby Bonus, which currently pays $5,000 to eligible parents for each new born or newly adopted child, will be replaced from 1 March 2014.

Instead, families who are eligible for the Family Tax Benefit Part A (FTB(A)) will receive $2,000 following the birth of their first child, and $1,000 for each subsequent child. This benefit will be paid as part of their usual FTB(A) payment, instead of a cash bonus payment.

Medicare levy to increase in 2014

Date of effect: 1 March 2014

The Medicare levy will increase by 0.5% to 2% pa of taxable income from 1 July 2014. This will help raise funds to build a better life for Australians with significant and permanent disability.

Changes to self-education expense deductions

Date of effect: 1 March 2014

From 1 July 2014, tax deductions for self-education expenses will be capped at $2,000 pa for individuals.

Early HECS-HELP repayments removed

Date of effect: 1 March 2014

Up-front and voluntary early repayments under the HELP program will be removed in 2014. University and other eligible students will no longer receive a discount if they pay fees up-front or repay their HELP debt early.

Superannuation

Recent super reforms confirmed

Date of effect: various

The proposed reforms to Australia's superannuation system that were announced on 5 April 2013 have been confirmed.

The key superannuation measures include:

Higher concessional contribution cap

2013-2014 Federal Budget - What It Means For You In Retirement

The 2013-14 Federal Budget was handed down on Tuesday 14 May. If you are retiring or are already retired, you could be impacted by a number of changes.
It is important to discuss your particular circumstances and how these changes apply to you, with your financial adviser.
Note: These measures are proposals only and may or may not become law.

Summary of the major changes
The keys changes announced in the Budget that relate to people nearing or in retirement include:

- Increase the concessional contribution cap for certain superannuation members
- Pension earnings above $100,000 to be taxed at 15%
- Deeming of account based pensions from 1 January 2015
- Housing Help for Seniors

For those nearing retirement

Increasing the concessional cap for certain superannuation members

The current concessional contributions cap is $25,000 for individuals of all ages. If you contribute more than this cap, you may have to pay extra tax. This cap is proposed to increase to $35,000 (unindexed) for those:

- aged 60 and over from 1 July 2013, and
- aged 50 and over from 1 July 2014.

Concessional contributions include employer contributions, salary sacrifice contributions and personal contributions where a tax deduction has been allowed. If you are aged 59 or more on 30 June 2013 you can take advantage of the higher cap by making concessional contributions up to $35,000 during the 2013-14 financial year.

Fairer excess contributions tax system

Amounts contributed to a superannuation fund in excess of the concessional contributions cap are currently taxed at 46.5 per cent. Excess concessional contributions made from 1 July 2013 will be taxed at your marginal tax rate (MTR), plus an interest charge to recognise that tax on excess contributions is collected at a later date than normal income tax. You will also be able to withdraw the excess contribution from your superannuation fund. For those in retirement

Deeming of account-based pensions from 1 January 2015

For Centrelink and Department of Veterans Affairs (DVA) Income Test purposes, superannuation account based pensions are treated favourably as a result of the calculation of a *deductible amount* that reduces the amount of income assessed. This concession will continue indefinitely for existing pensions. For new superannuation account-based pensions that commence on or after 1 January 2015, the Government proposes to assess these under Centrelink deeming arrangements that apply to other financial investments such as bank deposits, shares and managed funds. If you are looking to retire at or around 1 January 2015, it is important to work through your circumstances with your financial adviser to see whether there is a financial benefit by commencing an account-based pension before or after 1 January 2015.

Pension earnings above $100,000 to be taxed 15%

The Government proposes that from 1 July 2014, all earnings on assets supporting income streams will be tax-free only up to $100,000 per year. Earnings above $100,000 per year will be taxed at a rate of 15 per cent. This measure will primarily affect members with very large superannuation balances as it is based on the earnings in the fund. For example, if your superannuation income stream is earning 5%, you would need an account balance of $2 million to generate earnings of $100,000. Importantly, if you are aged 60 or over, pension payments and lump sum withdrawals will continue to be tax free.

Housing help for seniors

The Government will trial a program from 1 July 2014 to 1 July 2017, to help older Australians down-size their family home and move to more suitable housing without adversely affecting their Age Pension. This will be achieved by providing a means test exemption on the excess proceeds under certain conditions. The family home must have been owned for at least 25 years with at least 80 per cent of excess proceeds from the sale (up to $200,000) to be deposited into a special account by an authorised deposit-taking institution. These funds (plus earned interest) will be exempt from pension means testing for up to 10 years provided there are no withdrawals during the life of the account. The exemption

If you have any questions about this year's budget update, please feel free to call our office on 03 9017 4114 or email admin@mylife.com.au.

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Is Your SMSF Investment Strategy Up-To-Date?

You can always count on changes being introduced when it comes to super. And with the growing popularity of SMSFs, the government has squarely set its focus on self-managed super. New regulations increase the obligations on SMSF trustees when it comes to managing and monitoring their SMSF investments. SMSF trustees must comply from the 2012-2013 financial year.

New obligations for SMSF trustees

The new rules, which came into effect on 1 July 2012, were introduced as part of the government's Stronger Super initiative. The purpose of the new rules is to improve the governance of SMSFs, and in particular, how trustees of SMSFs manage and monitor their investments. The new obligations require SMSF trustees to:

- **Value assets at market value**
- **Consider insurance for members**
- Document and regularly review your investment strategy
- Separate SMSF assets.

Value assets at market value

In the past, some SMSFs have valued their assets using historical values when preparing financial accounts and statements. But now, trustees of SMSFs are required to value the assets of their funds at market value. To assist trustees with this obligation, the ATO has published Valuation Guidelines for Self-Managed Super Funds, which can be accessed from their website.

Consider insurance for members

SMSFs will be required to consider insurance for their members in the fund's investment strategy. In practice, this will mean documenting the consideration of insurance as part of the investment strategy and regular reviews of the strategy.

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